

**INFORMATION SHEET**  
**EMPIRE DISTRICT ELECTRIC COMPANY**  
**REQUEST FOR RATE INCREASE**

**(Case No. ER-2010-0130)**

**Introduction: The Missouri Public Service Commission.**

The Missouri Public Service Commission regulates investor-owned electric, natural gas, steam, water and sewer and telephone companies. The commission ensures the public has access to safe, reliable and reasonably priced utility service. The commission balances the interests of the public – ratepayers – as well as company shareholders. In proceedings before the commission, rates are set to give the utility company an opportunity – but not a guarantee – to earn a reasonable return on its investment after recovering its prudently incurred expenses.

In addition, the commission regulates the state's rural electric cooperatives and municipally-owned natural gas utilities for operational safety. The commission also oversees service territory issues involving investor-owned electric utilities, rural electric cooperatives and municipally-owned electric utilities as well as those involving privately-owned water utilities, public water supply districts and municipally-owned water districts.

Utility services and infrastructure are essential to the economy of Missouri. Virtually every Missouri citizen receives some form of utility service (electric, natural gas, telecommunications, water or sewer) from a company regulated by the Missouri Public Service Commission.

**When did Empire District Electric Company file its request and what is the company seeking?**

The Empire District Electric Company filed its request before the Missouri Public Service Commission on October 29, 2009. The company is seeking to increase annual revenues by approximately \$68.7 million per year, or about 19.6 percent.

If approved, a residential customer using 1,000 kilowatt hours of electricity would see a monthly increase of approximately \$19.21. The company is also asking to continue with the Fuel Adjustment Clause that was approved in its last case.

According to the company, the new rates will allow recovery of investment costs to its electric system, specifically environmental upgrades at latan 1 and a new generating unit, the Plum Point Generating Station, plus the annual operating costs associated with these units.

### **Who are the parties in this case?**

- 1. The Empire District Electric Company (the applicant).**
- 2. The Staff of the Missouri Public Service Commission.**
  - a. Staff is a neutral party who performs an independent audit of the Company, and proposes a position that it believes will be the best balance between the needs of the utility and the needs of the public.
- 3. The Office of the Public Counsel.**
  - a. The Office of the Public Counsel represents the general public, most specifically residential and small business customers.
- 4. Kansas City Power & Light Company**
- 5. City of Joplin**
- 6. The Missouri Energy Users' Association, which includes: Praxair, Inc.; Explorer Pipeline Company; and, Enbridge Pipeline Company.**
- 7. Missouri Department of Natural Resources**

### **What is the staff of the Missouri Public Service Commission recommending in this case?**

The staff of the Missouri Public Service Commission conducted a review of all cost of service components (capital structure, return on rate base, rate base, depreciation expense and operating expenses) relating to this case.

The staff is recommending that revenue should be increased by approximately \$68.2 million. The staff's recommendation is included in its Cost of Service Report filed on Feb. 26, and could change with the updating of information as the case moves forward.

The staff's "revenue requirement" is based upon:

- A test year of the 12 months ending June 30, 2009.
- A mid-point return on equity of 9.40%. Generally speaking, return on equity is shareholder profit on investment in the company.
- \$60.5 million of regulatory plan amortization calculations, a rate mechanism approved by the Commission in 2005. Regulatory plan amortization amounts included in rates in this case will serve to lower Empire's rate base in future cases, thereby reducing the rate levels otherwise justified for Empire in this future.

### **MAJOR ISSUES IN THIS RATE CASE**

**Plum Point** – Empire's case reflected the projected capital costs and operating costs of its share of the Plum Point generating unit, as well as the expenses associated with a purchased power agreement Empire entered into to obtain energy from this unit. The staff has not included any costs of the Plum

Point unit in its case, as this unit is not yet in-service. Empire projects that the Plum Point unit will become operational by the end of July 2010. Whether Empire's rates in this case will reflect its Plum Point investment will not be known until the later phases of this rate proceeding.

**Return on Equity (ROE)** – The staff has recommended a 9.40% ROE at the midpoint. Empire is recommending an 11% ROE.

**Fuel and Purchased Power** – The company adjusted its test year fuel/purchased power expense to match the level allowed in base rates in its last general rate. The staff chose to adjust test year fuel/purchased power expense to reflect Empire's actual fuel/purchased power costs through the end of the test year update period, December 31, 2009. This analysis resulted in an adjustment to decrease test year fuel/purchased power expense.

**Incentive Compensation** – The staff has recommended a disallowance of incentive compensation paid to Empire employees, including executive management, related to an earnings goals and discretionary bonuses which are unsupported by any well defined goals with tangible benefits to ratepayers. Staff's position is consistent with the Commission's decision on this issue in Empire's recent rate cases. The company proposed no adjustment to its test year incentive compensation expense.

### **Has the commission decided this case?**

**No.** The commission will review all of the information filed in this case and then render a decision based on the evidence. By law, the commission has 11 months from the company's filing to make a decision.

And evidentiary hearing is scheduled for May 3-14, 2010. These hearings will be held in Room 310 of the Governor Office Building in Jefferson City, 200 Madison Street.

The evidentiary hearing is open to the public, however, public comment is not allowed when evidence is being taken during this portion of the case. Parties in this case have filed testimony and may present additional testimony through cross-examination if no settlement is reached.

Only witnesses who have been subpoenaed, filed testimony in the case, or are otherwise called to appear, will be allowed to testify during the evidentiary hearing. (The hearing will be broadcast over the Internet -- [www.psc.mo.gov](http://www.psc.mo.gov) – click the "Watch Meetings/Hearings" link on the right side of the page).

### **What is the purpose of a local public hearing: May I testify?**

**Yes.** You may testify. This local public hearing gives you the chance to express your opinions, concerns and requests on the record.

A court reporter will transcribe a record of everything that is said. Your comments at today's hearing will become part of the case record.

To avoid repetitive testimony, and provide input from everyone in attendance, a group may choose to identify an individual or two or three people to speak on behalf of the entire group. If you wish to do so, please notify the judge at the beginning of the hearing. The judge will then allow those speakers an expanded time period in which to speak on behalf of the entire group. At the end, the group can offer a list of names of the members who wish to go on record as joining in the comments of those speakers. That list will also be a part of the permanent record.

**Will I be able to ask the commissioners questions during the local public hearing?**

**No.** You may express your concerns to the commission, but the commissioners will not be able to answer your questions. The commissioners are acting as judges during this hearing, and have not yet decided this case. They are prohibited, by law, from expressing an opinion until they have heard all of the evidence.

**May I ask questions of the other parties?**

**During the actual hearing**, questions may be asked by the judge, the commissioners, or parties' attorneys -- and they will only ask questions of the witness who is currently testifying. Only one person can testify at a time.

There will be an information session before the hearing. **You should take the opportunity to ask questions** of the other parties during that 30-minute information session. You may be able to continue your conversation with the other parties after the local hearing is over.

**Written comments may be mailed to:**  
**Public Service Commission, P.O. Box 360**  
**Jefferson City, MO 65102-0360**

**Send electronically to: [pscinfo@psc.mo.gov](mailto:pscinfo@psc.mo.gov)**

**Or through the commission's website:**  
**[WWW.PSC.MO.GOV](http://WWW.PSC.MO.GOV)**

**(Please include a reference to the case number ER-2010-0130)**

**Office of the Public Counsel**  
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**PSC TOLL-FREE HOTLINE: 1-800-392-4211**